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FM THE SITUATION ROOM TOHAK004

TO DICK CAMPBELL FOR SECRETARY KISSINGER ABNARD 86970

T O P S E C R E T/SENSITIVE CONTAINS CODEWORD WH40026

TOHAK004

TOP SECRET-SENSITIVE
CONTAINS CODEWORD
MEMORANDUM FOR:

FROM:
SUBJECT:

JANUARY 11, 1974

THE PRESIDENT
HENRY A. KISSINGER
INFORMATION ITEMS

SITUATION IN INDOCHINA: THE GOVERNMENT OPERATION TO RETAKE A BORDER OUTPOST AT PLEI DJERENG IN PLEIKU PROVINCE HAS BEEN DELAYED BY DIFFICULTIES IN COORDINATING AIR SUPPORT AND MAKING CHANGES IN UNIT ASSIGNMENTS. HEAVY AIR STRIKES ARE SCHEDULED TODAY, AND THE GROUND ASSAULT ON PLEI DJERENG INVOLVING ELEMENTS OF TWO SOUTH VIETNAMESE REGIMENTS IS NOW SCHEDULED FOR JANUARY 14. GOVERNMENT RECONNAISSANCE PATROLS HAVE REPORTED THAT THE OUTPOST IS LIGHTLY DEFENDED. FIVE NORTH VIETNAMESE BATTALIONS ARE LOCATED FURTHER WEST OF PLEI DJERENG, HOWEVER. THE NORTH VIETNAMESE ARMY THREAT IN QUANG DUC REMAINS STRONG. DETECTION ON JANUARY 6 OF A THIRD NORTH VIETNAMESE INFANTRY REGIMENT MOVING INTO QUANG DUC GIVES THE COMMUNISTS A DIVISION-SIZED FORCE THERE, TOGETHER WITH ARTILLERY AND ARMOR SUPPORT. THE CAMBODIAN ARMY COUNTERATTACK NORTHWEST OF PHNOM PENH'S POCHENTONG AIRPORT MADE SOME HEADWAY ON JANUARY 10. ELEMENTS OF THE ARMY'S 1ST DIVISION GAINED OVER A MILE IN THEIR FIRST DAY OF ACTION. FARTHER NORTH, TROOPS FROM THE 7TH DIVISION MADE LIMITED PROGRESS IN CLEARING INSURGENTS FROM A SECONDARY ROAD RUNNING WEST FROM ROUTE 5. A TRUCK CONVOY FROM KOMPONG SOM ARRIVED SAFELY IN PHNOM PENH YESTERDAY. THE SITUATION REMAINS SERIOUS AT TAKED; THE SOUTHERN CITY WAS HIT BY ANOTHER HEAVY ARTILLERY ATTACK EARLY YESTERDAY. THE COMMUNISTS FIRED THREE ROCKETS INTO PHNOM PENH TODAY, BUT ONLY A FEW CASUALTIES RESULTED. MEANWHILE, AN EIGHT-SHIP MEKONG RIVER CONVOY, CARRYING AN ESTIMATED 3,450 METRIC TONS OF POL AND 7,600 METRIC TONS OF RICE, IS EN ROUTE TO THE CAPITAL AND IS EXPECTED TO ARRIVE THIS MORNING.

***** * * * * * WHSR COMMENT * * * * *

SEC. FILE

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JAPANESE MONETARY MOVES: TOKYO IS DISCOURAGING CAPITAL OUTFLOWS TO PREVENT FOREIGN EXCHANGE RESERVES -- WHICH AT THE END OF 1973 WERE DOWN TO \$12.2 BILLION -- FROM DROPPING BELOW \$10 BILLION. GOVERNMENT PERMISSION WILL BE REQUIRED FOR PURCHASES OF U.S. SHORT-TERM TREASURY BILLS BY PRIVATE INDIVIDUALS, AND JAPANESE SECURITY COMPANIES ARE BEING ADMONISHED NOT TO INCREASE HOLDINGS OF FOREIGN STOCKS AND BONDS. TOKYO HOPES TO AVOID BROADER FORMAL SANCTIONS THAT WOULD OPENLY CONFLICT WITH EARLIER CAPITAL LIBERALIZATION PROGRAMS. JAPANESE PURCHASES OF FOREIGN SECURITIES TOTALLED ABOUT \$1.7 BILLION IN 1973.

BOLIVIA EXILES FORMER PRESIDENT PAZ: BOLIVIAN PRESIDENT BANZER HAS SENT INTO EXILE ONE OF HIS LEADING CRITICS AND POLITICAL FOES, FORMER PRESIDENT PAZ ESTENSSORO. ALSO EXILED TO PARAGUAY WERE FIVE OF PAZ' PRINCIPAL AIDES. AMONG THE MAIN CHARGES LEVELED AGAINST PAZ AND HIS FOLLOWERS WERE:

- THE ATTEMPT TO CHANGE THE NATURE OF THE 1971 REVOLUTION;
- CREATING DIVISIONS WITHIN THE ARMED FORCES AND POLICE;
- SYSTEMATIC AGITATION AMONG WORKERS TO CREATE "ANARCHY AND SOCIAL DISORDER."

THE LEADER OF THE NATIONAL REVOLUTIONARY MOVEMENT (MNR) WAS ALSO ACCUSED OF HAVING CONTACTS WITH LEFTIST ELEMENTS IN AND OUTSIDE BOLIVIA AND EXTORTING FUNDS FOR CONSPIRATORIAL PURPOSES. LEADERSHIP OF THE MNR WAS PASSED TEMPORARILY INTO THE HANDS OF PAZ' DEPUTY, CIRO HUMOLDT BARRERO, WHO CRITICIZED HIS FORMER CHIEF FOR NOT WORKING FOR NATIONAL UNITY. IT REMAINS TO BE SEEN WHETHER THE MNR WILL ACCEPT HUMOLDT'S LEADERSHIP. MEAN-TIME, THE EXILE OF THE WELL-KNOWN PAZ WILL MEAN INCREASED RESPONSIBILITY FOR THE ARMED FORCES IN THE CONDUCT OF GOVERNMENT

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BUSINESS.

ON HIS ARRIVAL IN PARAGUAY TUESDAY NIGHT, PAZ ATTACKED HIS EXILE AS "ARBITRARY AND UNJUSTIFIED." HE SAID HIS PLANS FOR THE FUTURE WERE INDEFINITE, BUT IT CAN BE ASSUMED HE WILL BE WORKING ACTIVELY AGAINST THE BANZER GOVERNMENT FROM EXILE.

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BRAZIL GRANTS \$50 MILLION LOAN TO CHILE: THE BRAZILIAN CENTRAL BANK HAS SIGNED AN AGREEMENT WITH CHILE FOR A \$50 MILLION LOAN. IT IS UNDERSTOOD THE MONEY WILL BE USED TO BUY GOODS AND SERVICES IN BRAZIL. THE CHILEANS HAD EXPECTED AN EVEN LARGER LOAN. THE LOAN IS TO BE REPAYED IN QUARTERLY INSTALLMENTS BEGINNING MARCH 1977 THROUGH DECEMBER 1979. INTEREST IS FIXED AT ONE PERCENT ABOVE THE LONDON INTERBANK RATE.

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